**CITY OF
MESA***Great People, Quality Service*

COUNCIL REPORT

Date: April 10, 1998
To: City Council
Through: C. K. Luster, City Manager
From: Wayne Balmer, Community Development Manager
Subject: Consider the Proposal from Voit Development Company for the Redevelopment of Site 21 (Former Bank One Building)

Background/Discussion

In response to the Request for Proposals issued on August 16, 1997, the Redevelopment Office received one proposal for the redevelopment of Site 21 (former Bank One building) from Voit Development Company (see attached Vicinity Map labeled "Exhibit 1"). At its meeting on October 3, 1997 the City Council directed staff to negotiate a Disposition and Development Agreement (DDA) with the Voit Companies for City Council's review and approval. We have been unable to complete the redevelopment agreement due to issues regarding a proposed parking deck adjacent to the building, parking in the Pepper Street garage, and the City's participation in profits if the building is sold during a five-year period after executing the redevelopment agreement.

In its proposal, Voit Development Company states that it plans to make exterior and interior renovations to the 55,000 s.f. building that will make it attractive to upper end tenants. The ground floor space will be used for retail and restaurant uses that will include outdoor dining on the sidewalk. Additionally, it plans to install a clock at the northeast corner of Main and Macdonald Streets that is similar to the pedestal clock that used to be at this location. Voit estimates the renovation costs will be \$4.3 million.

The City received a letter from Barry Kirshner of Voit Development Company dated March 23, 1998 in which he stated that he strongly recommends that a parking deck be constructed adjacent to the building that will provide space for approximately 300 cars. The parking deck would have retail uses at the ground floor level. Furthermore, he recommends that Voit share 25% of the profits with the City from a gross sale of the building of \$5.8 million or greater. The City's share would decrease 5% each year after the signing of the redevelopment agreement so that by the fifth year our participation would be zero percent.

The Mesa Town Center Corporation (MTCC) and the Downtown Development Committee recommend that the parking spaces should be provided by adding two levels to the Pepper Street Garage, which would provide roughly 350 parking spaces. This will allow for future development on the surface lot where Voit would like to have a parking deck.

Listed below are several options for the Council to consider in redeveloping the former Bank One building.

Options

Option 1 (Voit Development Company proposal)

- A. City construct parking deck on surface lot adjacent to the building with retail on the ground floor. Estimated cost for the parking deck is \$1.7 million.
- B. City undertake asbestos and HVAC improvements to the building at an estimated cost of \$1.2 million.
- C. City sell building to Voit Development Company for \$1.2 million with the condition that the City receives 25% of the net profits from the gross sale of \$5.8 million or greater on the Bank One Building. The City's participation would be on a sliding scale, decreasing by 5% every year after the anniversary of the signing of the DDA so that by the fifth year anniversary, the City's share would be zero percent (0%).

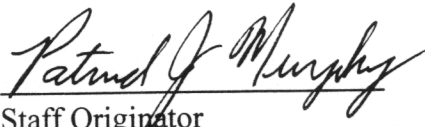
Option 2

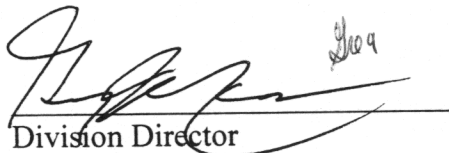
- A. City add two floors to the Pepper Garage and redesign the surface parking lot behind the building with landscaping and lighting improvements (this would provide 358 additional parking spaces in the garage and leave 100 spaces on the surface lot). Estimated costs are \$1.7 million for the Pepper Garage improvements and \$260,000 for the surface lot improvements.
- B. City undertake asbestos and HVAC improvements to the building at an estimated cost of \$1.2 million.
- C. City sell the building to Voit for \$1.2 million with the stipulation that the City will get its proportionate share of the profits of the gross sale of the Bank One Building. For example, if Voit puts in \$5 million and City puts in \$2 million for a total project budget of \$7 million, the City would get 28% of the profits when, and if, the building is sold.

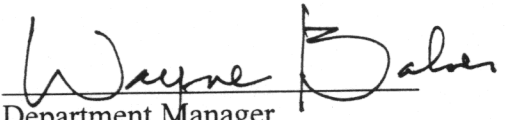
Option 3

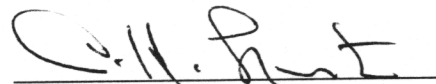
- A. Issue another Request for Proposals (RFP) and have Voit Development Company submit its proposal so it can be considered with other proposals that may be received.

City Council direction is needed on how it wants us to proceed with this redevelopment project.


Staff Originator


Division Director

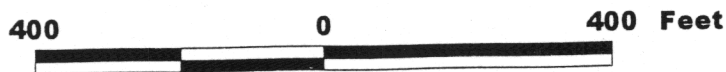
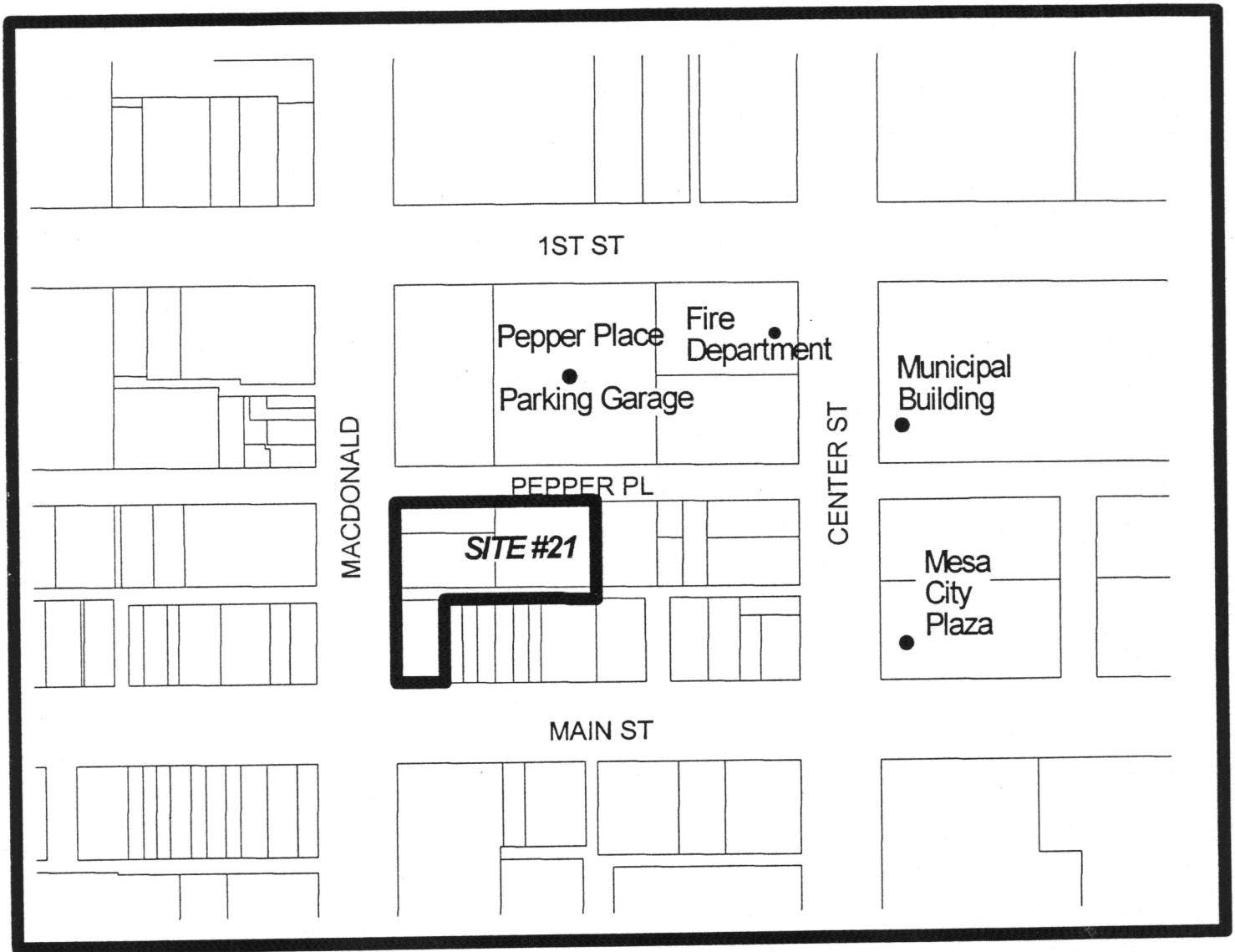

Department Manager


City Manager

Attachments:

Vicinity Map, Exhibit A
Letter from Barry Kirshner dated March 23, 1998

City of Mesa Downtown Redevelopment Site Number 21



August 1997



The Voit Companies

10 West Main Street
Mesa, AZ
85201
TEL 602. 461.4677
FAX 602. 461.4675

March 23, 1998

Property Management
Commercial Brokerage
Asset Services
Development and Acquisition
Construction

VIA HAND DELIVERY

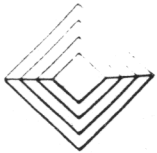
Mr. C.K. Luster
City of Mesa
Mesa City Plaza
20 E. Main Street, 7th Floor
Mesa, Arizona 85201

Re: Redevelopment Agreement

Dear Chuck:

After much discussion about the Redevelopment Agreement and more market research, Voit Development Company is ready to move forward on the Bank 1 redevelopment project. The major topics of concern in the Redevelopment Agreement are the proposed parking deck adjacent to the building, parking in the Pepper Street garage and the City's participation in profits, if the Bank 1 building was sold during a five-year period from the signing of the redevelopment agreement.

Voit Development Company is strongly recommending that the City provide a parking deck able to park approximately 300 cars with amenities such as hand car wash, oil change, shoe repair and cleaners be built into the ground floor of a newly constructed parking deck, adjacent to the Bank 1 building.



C. K. Luster
March 23, 1998
Page 2

Voit Development Company also proposes to share 25% of the net profits from a gross sale of \$5.8 million or greater on the Bank 1 building. The City's participation would be on a sliding scale, decreasing by 5% every year after the anniversary of the signing of the redevelopment agreement so that by the fifth year anniversary, the City's participation would be zero percent.

Voit Development Company is anxious to move forward on this project and looks forward to helping the City of Mesa generate economic viability, pedestrian friendly environment and what we believe will be the catalyst for revitalizing Main Street and the downtown area.

Very truly yours,

Barry Kirshner

BK:gss
Attachment